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Senate Approves Pension Bill, Sends to Bush

By REUTERS**Filed at 0:53 a.m. ET**

WASHINGTON (Reuters) - The Senate on Thursday approved and sent to President [George W. Bush](#) legislation to shore up beleaguered corporate pensions and stabilize the deficit-ridden federal program that insures them.

Lawmakers voted 93-5 to clear the measure, which was identical to a bill approved last week by the House of Representatives.

Sen. Mike Enzi, a Wyoming Republican who led months of difficult House-Senate negotiations that hammered out the main provisions said the bill would serve as a foundation for retirement security for millions of Americans.

The legislation overhauls pension funding rules and closes loopholes that allow companies to claim their pensions are financially sound even though some plans carry staggering liabilities.

The law would require companies managing single-employer traditional pensions -- so-called defined-benefit plans that offer a fixed and secure benefit at retirement -- seven years to fully fund them beginning in 2008.

Nationwide, promised benefits in corporate defined benefit pension programs covering nearly 35 million workers and retirees outpace assets in those plans by \$450 billion, government figures show.

Airlines get substantially more time to meet their obligations, a provision sought by bankrupt carriers Delta Air Lines (DALRQ.PK) and [Northwest Airlines](#) (NWACQ.PK).

The two companies said congressional action was necessary now to avert terminating all of their plans in Chapter 11 as a cost-savings move. Delta is already planning to end its pilot plan but has another covering all other workers. Northwest has three plans.

Northwest and Delta each get 10 additional years - 17 in total -- to meet their obligations. American Airlines and [Continental Airlines](#) (CAL.N) get an additional three years - 10 in total.

American and Continental were given less time because they are not bankrupt and their pensions are in better shape even though those accounts, like the ones at Northwest and Delta, carry billion-dollar liabilities.

Senate lawmakers from Texas, unhappy that Northwest and Delta got more time and a more favorable interest rate to calculate future benefits, hope to win American, based in Fort Worth, and Continental, based in Houston, additional pension breaks in future legislation.

The first major rewrite of pension legislation in 30 years also seeks to prevent a taxpayer bailout of the federal agency insuring pensions, the Pension Benefit [Guaranty Corporation](#).

The PBGC's financial problems have worsened in recent years after absorbing plans terminated by bankrupt steel and airline companies. The agency's projected deficit is \$28 billion.

Many big businesses supported the legislation, including struggling [General Motors](#) Corp. (GM.N), which has the largest private pension portfolio.

Other key provisions of the legislation will:

- Give large defense contractors a three-year delay before the stricter funding rules kick in for them.
- Make it easier for mutual fund companies to advise workers on investments for 401(k) retirement savings plans and tax-deferred Individual Retirement Accounts. It also encourages automatic enrollment in 401(k)s.
- Make it easier for hedge funds to handle pension money without being subject to legal safeguards.
- Require companies with plans at risk of defaulting to contribute more cash.

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